



# PUBLIC NOTICE

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DA 04-761  
Released: March 22, 2004

## DOMESTIC SECTION 214 APPLICATION FILED FOR TRANSFER OF CONTROL OF T-NETIX, INC. TO TZ HOLDINGS, INC.

### STREAMLINED PLEADING CYCLE ESTABLISHED

WC Docket No. 04-71

Comments Due: April 5, 2004  
Reply Comments Due: April 12, 2004

On March 1, 2004, T-NETIX, Inc. (T-NETIX) and TZ Holdings, Inc. (TZ) (together, Applicants) filed an application, pursuant to sections 63.03 and 63.04 of the Commission's rules,<sup>1</sup> to request approval to transfer control of T-NETIX to TZ.<sup>2</sup>

Applicants assert that this transaction is entitled to presumptive streamlined treatment pursuant to section 63.03(b)(1)(ii) of the Commission's rules because neither TZ, nor any of its affiliates, is a telecommunications provider.<sup>3</sup>

T-NETIX is a publicly traded Delaware corporation headquartered in Carrollton, Texas. T-NETIX is authorized to provide collect calling services to inmates in correctional facilities in approximately 40 states. T-NETIX's wholly-owned subsidiary, T-NETIX Telecommunications Services, Inc. (TTS), is authorized to provide collect calling services to inmates in correctional facilities throughout the continental United States. No change in the ownership or management

<sup>1</sup> 47 C.F.R. §§ 63.03, 63.04; *see* 47 U.S.C. § 214.

<sup>2</sup> Applicants are also filing an application for consent to transfer of control associated with authorization for international services. Any action on this domestic 214 application is without prejudice to Commission action on other related pending applications.

<sup>3</sup> 47 C.F.R. § 63.03(b)(1)(ii). *See* Letter from Robin Norton, Technologies Management, Inc., Consultant to T-NETIX, Inc. and TZ Holdings, Inc. to Marlene H. Dortch, Secretary, Federal Communications Commission, WC Docket No. 04-71 (filed Mar. 18, 2004) (March 18 Letter).

of TTS will result from the proposed transaction.

TZ is a company organized under the laws of Delaware with its principal office located in Florida. Applicants state that neither TZ, nor any of its affiliates, is a telecommunications provider.<sup>4</sup> Rather, TZ is a holding company organized for the purpose of holding TZ Acquisition, Inc., which was formed for the purpose of merging with T-NETIX. After consummation of the proposed transaction, TZ Acquisition, Inc. will merge out of existence and T-NETIX will survive. H.I.G. Capital Partners III, L.P. (H.I.G. Capital), a Delaware limited partnership, was formed as a vehicle for the acquisition of companies and is the ultimate parent of TZ. Applicants state that no individual will own 10 percent or more of the equity in T-NETIX, Inc.

Pursuant to an Agreement and Plan of Merger (Agreement), TZ proposes to acquire up to 100 percent of the issued and outstanding shares of common stock, par value \$0.01 per share (Common Stock) of T-NETIX for an aggregate purchase price of approximately \$69.2 million, based upon a purchase price of \$4.60 per share. Upon completion of the Cash Tender Offer, TZ Acquisition, Inc. will merge into and with T-NETIX. The newly merged entity will be a wholly-owned subsidiary of TZ. Consummation of the proposed transaction is scheduled to take place as soon as practicable following the satisfaction of waiver of the conditions set forth in the Agreement, including, among other things, completion of the Cash Tender Offer, approval of the stockholders of T-NETIX to the extent required by applicable law, the expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended, and receipt of all regulatory approvals.

The Applicants state that the proposed transaction is in the public interest because it will ensure that T-NETIX has the capital necessary to grow and expand its business. Applicants submit that the proposed transaction will improve the overall financial condition of T-NETIX by replacing high cost debt with lower cost debt and improve cash flow, thus enabling the realization of economic and marketing efficiencies. As a result, Applicants claim that T-NETIX will be able to compete more effectively in the competitive telecommunications marketplace and enhancing the ability to offer high-quality cost-competitive services. Applicants contend that the transaction will not result in the change of any rate, term or condition of service.

## **GENERAL INFORMATION**

The transfer of control identified herein has been found, upon initial review, to be acceptable for filing as a streamlined application. The Commission reserves the right to return any transfer of control application if, upon further examination, it is determined to be defective and not in conformance with the Commission's rules and policies. Interested parties may file

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<sup>4</sup> See March 18 Letter at 1.

**comments on or before April 5, 2004 and reply comments on or before April 12, 2004.<sup>5</sup>**

Unless otherwise notified by the Commission, Applicants are permitted to transfer control on the 31<sup>st</sup> day after the date of this notice.<sup>6</sup> Comments may be filed using the Commission's Electronic Comment Filing System (ECFS) or by filing paper copies. *See Electronic Filing of Documents in Rulemaking Proceedings*, 63 Fed. Reg. 24121 (1998).

Comments filed through the ECFS can be sent as an electronic file via the Internet to <<http://www.fcc.gov/e-file/ecfs.html>>. Generally, only one copy of an electronic submission must be filed. If multiple docket or rulemaking numbers appear in the caption of this proceeding, however, commenters must transmit one electronic copy of the comments to each docket or rulemaking number referenced in the caption. In completing the transmittal screen, commenters should include their full name, U.S. Postal Service mailing address, and the applicable docket or rulemaking number. Parties may also submit an electronic comment by Internet e-mail. To get filing instructions for e-mail comments, commenters should send e-mail to [ecfs@fcc.gov](mailto:ecfs@fcc.gov), and should include the following words in the subject line "get form <your e-mail address>." A sample form and directions will be sent in reply.

Parties who choose to file by paper must file an original and four copies of each filing. If more than one docket or rulemaking number appears in the caption of this proceeding, commenters must submit two additional copies for each additional docket or rulemaking number. Filings can be sent by hand or messenger delivery, by commercial overnight courier, or by first-class or overnight U.S. Postal Service mail (although we continue to experience delays in receiving U.S. Postal Service mail). The Commission's contractor, Natek, Inc., will receive hand-delivered or messenger-delivered paper filings for the Commission's Secretary at 236 Massachusetts Avenue, N.E., Suite 110, Washington, D.C. 20002. The filing hours at this location are 8:00 a.m. to 7:00 p.m. All hand deliveries must be held together with rubber bands or fasteners. Any envelopes must be disposed of before entering the building. Commercial overnight mail (other than U.S. Postal Service Express Mail and Priority Mail) must be sent to 9300 East Hampton Drive, Capitol Heights, MD 20743. U.S. Postal Service first-class mail, Express Mail, and Priority Mail should be addressed to 445 12th Street, SW, Washington, D.C. 20554. All filings must be addressed to the Commission's Secretary, Office of the Secretary, Federal Communications Commission.

**In addition, one copy of each pleading must be sent to each of the following:**

- (1) the Commission's duplicating contractor, Qualex International, 445 12<sup>th</sup> Street, S.W., Room CY-B402, Washington, D.C. 20554; e-mail: [qualexint@aol.com](mailto:qualexint@aol.com); facsimile: (202) 863-2898; phone: (202) 863-2893;

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<sup>5</sup> See 47 C.F.R. § 63.03(a).

<sup>6</sup> Such authorization is conditioned upon receipt of any other necessary approvals from the Commission in connection with the proposed transaction.

- (2) Tracey Wilson, Competition Policy Division, Wireline Competition Bureau, 445 12<sup>th</sup> Street, S.W., Room 5-C437, Washington, D.C. 20554; e-mail: [tracey.wilson-parker@fcc.gov](mailto:tracey.wilson-parker@fcc.gov);
- (3) Dennis Johnson, Competition Policy Division, Wireline Competition Bureau, 445 12<sup>th</sup> Street, S.W., Room 6-A461, Washington, D.C. 20554; e-mail: [dennis.johnson@fcc.gov](mailto:dennis.johnson@fcc.gov);
- (4) Julie Veach, Competition Policy Division, Wireline Competition Bureau, 445 12<sup>th</sup> Street, S.W., Room 5-C124, Washington, D.C. 20554; e-mail: [julie.veach@fcc.gov](mailto:julie.veach@fcc.gov);
- (5) Susan O'Connell, Policy Division, International Bureau, 445 12<sup>th</sup> Street, S.W., Room 7-B544, Washington, D.C. 20554; email: [susan.o'connell@fcc.gov](mailto:susan.o'connell@fcc.gov); and
- (6) Christopher Killion, Office of General Counsel, 445 12<sup>th</sup> Street, S.W., Room 8-C740, Washington, D.C. 20554; e-mail: [chris.killion@fcc.gov](mailto:chris.killion@fcc.gov).

Filings and comments are also available for public inspection and copying during regular business hours at the FCC Reference Information Center, Portals II, 445 12th Street, SW, Room CY-A257, Washington, DC, 20554. They may also be purchased from the Commission's duplicating contractor, Qualex International, Portals II, 445 12th Street, SW, Room CY-B402, Washington, DC, 20554, telephone 202-863-2893, facsimile 202-863-2898, or via e-mail [qualexint@aol.com](mailto:qualexint@aol.com).

For further information, please contact Tracey Wilson, at (202) 418-1394, or Dennis Johnson at (202) 418-0809.

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